

VZCZCXRO8808  
PP RUEHPA  
DE RUEHDK #1251/01 1581758  
ZNY CCCCC ZZH  
P 071758Z JUN 07  
FM AMEMBASSY DAKAR  
TO RUEHC/SECSTATE WASHDC PRIORITY 8512  
INFO RUEHZK/ECOWAS COLLECTIVE  
RUEHBR/AMEMBASSY BRASILIA 0243  
RUEHLC/AMEMBASSY LIBREVILLE 0953  
RUEHLI/AMEMBASSY LISBON 0794  
RUEHLU/AMEMBASSY LUANDA 0420  
RUEHTO/AMEMBASSY MAPUTO 0456

C O N F I D E N T I A L SECTION 01 OF 02 DAKAR 001251

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E.O. 12958: DECL: 06/06/2017

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SUBJECT: GUINEA BISSAU: NEW GOVERNMENT TAKES RIGHT STEPS,  
STILL HAS NO BUDGET

Classified By: DCM Robert P. Jackson for reasons 1.4 (b) and (d)

SUMMARY

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[¶1.](#) (U) The government of Prime Minister Martinho N,Dafa Cabi has taken bold moves toward transparency of budgets, against corruption, petty crime, and drug trafficking. It is cleaning up the streets and harbor and has earned the trust of the World Bank, which is restarting the multi-sectoral program suspended due to unethical contract procedures under Aristides Gomes' government. Unfortunately, the right steps have not improved Guinea-Bissau's budget gap and civil service salaries have not been paid since January. The GOGB will need to request donor support to fill budget gaps. END SUMMARY.

NEW GOVERNMENT WORKS TO IMPRESS

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[¶2.](#) (U) Bissau-Guinean Prime Minister Martinho N,Dafa Cabi's government continues to make the right moves to win potential donors' confidence. The World Bank has agreed to restart the USD 15 million multi-sectoral assistance grant targeting energy, water, and sanitation in the City of Bissau that was put on hold due to the granting of a less-than-transparent contract to a Nigerian firm by Aristides Gomes' government. Cabi wooed back the Bank with promises of transparency and together with Minister of Finance Iussuf Sanha, has agreed to open the books to a full audit of all ministries for 2006 and [¶2007](#). The audit will be conducted by an outside firm and be financed by the European Union.

[¶3.](#) (U) Cabi's government is showing it can get work done even with limited resources. A massive effort to clean up the streets and gutters in Bissau is underway. Also, long-rusted boat carcasses are being broken down and cleaned out of the harbor area. Thanks to Interior Minister Baciro Dabo's bulldoggish tactics, there is more order and a bit of fear on the streets at night. His motorcycle cops go out en masse to apprehend people without identity cards and harass others engaging in minor infractions like poor parking. This has netted 98 illegals including Colombians, Puerto Ricans, Nigerians and other West Africans and according to what Dabo told the press, an unspecified amount of cocaine and almost one million in counterfeit U.S. dollars.

[¶4.](#) (C) In spite of Dabo's alleged links with narcotics traffickers, this government says it is concerned about drugs. An inter-ministerial commission is interviewing members of the former government about the disappearance from

the coffers of the Finance Ministry of 674 kg. of cocaine seized in a September police operation. PM Cabi asked PolOff for counter-narcotics assistance, citing the need for communications and surveillance equipment, training, and technical assistance. A top priority continues to be a prison. Justice Minister Carmelita Barbosa Rodrigues Pires said one plan under consideration is to renovate the current headquarters of the Judicial Police to hold maximum security detainees and move the Judicial Police to another location.

#### BUDGET GAP CONTINUES

15. (C) A budget has not been completed yet for 2007, which is half over. Budget Director Romao Varela told PolOff that revenues are low; so the GOGB will have to rely on donor support to cover the budget gap from 2006 and the gap that will exist for 2007 once the budget is completed. Head of the visiting IMF delegation from Washington Catherine McAuliffe agreed with his assessment. She reiterated that IMF post-conflict assistance would only be available to Guinea-Bissau if the gap could be covered. She noted that even with the World Bank's promise of USD 10 million for budget support, more would be needed. McAuliffe said she had not seen any other country in this big of a budgetary hole before. According to IMF's balance sheet, the best case scenario still has the GOGB over USD 22 million in the red.

16. (C) Varela told PolOff that civil servant salaries have not been paid since January. The Finance Ministry has plans to reduce the civil service payroll by some 2,000 positions, but the GOGB needs donor support to provide severance packages.

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17. (U) A renewed fishing agreement with the European Union will bring in about 7.5 million Euros but the first dividends will not arrive until next year. Meanwhile, the GOGB is struggling to pay off past due private loans and late fees which may undercut its ability to get additional financing even with a promissory note from the EU on future fishing revenues.

18. (C) Revenues from cashew exports have not started to come in yet but when they do, they are expected to be lower this year than last. One reason is the lack of competition since the previous Finance Minister Victor Mandinga's bribe requests from the largest buyer, Olam International, resulted in that company's departure from Bissau. New Finance Minister Sanha is currently in negotiations with Olam, according to Varela, to resolve complaints and hasten the company's return, which should increase competition among buyers and intermediaries and improve prices for growers.

#### COMMENT

19. (C) Dabo's crack down on undocumented people and drug traffickers should be viewed skeptically given allegations of his past involvement with traffickers. He may be trying to curry favor with donors or simply be asserting his new power over rival drug gangs. The inter-ministerial commission is also good theater for donors, but without a functioning judiciary or prison, no one is likely to be held accountable for the missing drugs.

110. (C) The Cabi government seems to be held in higher regard by the diplomatic corps and for good reason. It remains to be seen whether it can raise any more money than its predecessors, however. The GOGB made another pitch for cash to diplomats in Dakar at a joint IMF briefing on June 7. The hastily planned meeting did not have good participation from the donor community and no concrete pledges were made. END COMMENT.

111. (U) Visit Embassy Dakar's SIPRNet site at <http://www.state.sgov.gov/p/af/dakar>.

